

Financial Report

Background information

1. The General Osteopathic Council's current financial year commenced on 1 April 2015 and will conclude on 31 March 2016. In this report it will be described as FY2015-16.
2. The budget for FY2015-16 was approved by Council at its meeting of 4 February 2015 when it also approved the Business Plan activity for the same period.
3. Council receives a financial report at each meeting which presents the cumulative financial results for a given period. Where possible, the reports try to cover quarterly periods within the financial year.
4. In circumstances where the Council papers are being dispatched close to the end of a quarter, it may not always be possible for the financial report to cover the full period. In order to give Council more robust financial information, we may from time to time shorten the reporting period.
5. For the GOsC the financial quarters are as follows:

Quarter 1	1 April - 30 June
Quarter 2	1 July - 30 September
Quarter 3	1 October - 31 December
Quarter 4	1 January - 31 March
6. The first financial report of FY2015-16 is presented in a slightly different style to reports previously seen by Council. It has been restructured to take into account feedback from members of Council at the May 2015 seminar.
7. The structure of this report is:
 - a. Summary of financial position – fuller income/expenditure narrative
 - b. Income and Expenditure Account (top-level department summary)
 - c. Income and Expenditure Account (detailed departmental summaries)
 - d. Balance Sheet
 - e. Explanatory notes to the Balance Sheet

Summary of financial position

1. This report covers the two month period from 1 April 2015 to 31 May 2015.
2. The two-month accounts show a surplus (before spending from reserves on development projects) of £182k against a budgeted forecast of £168k for the same period. The surplus has arisen, in part, because of slightly more income being received than planned, but mainly through expenditure being underspent against budget.

Income

3. The primary source of income is from registration fees paid by osteopaths. The GOsC does not have a single registration date meaning there are osteopaths renewing their registration each month. In accordance with financial rules we need to ensure that we account for, and report, only the proportion of the fee relevant to the financial period.
4. As at 31 May 2015, income totalled £598k, which was £1k ahead of the budget forecast. Registration Fees accounted for £591k, which was equal to 99% of the total income received. However, registration fees actually totalled £737k, but only those fees relevant to the two-months are reported.
5. Other income totals £6.7k which is fractionally ahead of the £6k budget forecast.

Expenditure

6. At the two-month position we have recorded actual expenditure of £416k against a budgeted position of £428k meaning we are underspent against the budget forecast by £12k.
7. This main area of underspend is employment costs which has arisen because of three factors. First, the budget provided for a 3% rise in salary costs; however, this will not be used in full as the Remuneration Committee opted for a lower increase (2%) than budgeted. Second, as new employees join the GOsC they are not immediately eligible for employer pension contributions, although the budget provided for the full year contributions for each post. And third, the transition period between some staff leaving the GOsC and new staff joining has resulted in a reduction in the monthly payroll charge.
8. However the full year employment cost forecast has not been amended as the Executive would like to retain the possibility of using any underspend to support critical areas of the organisation with additional, temporary staff as the business year develops.
9. As outlined in the Chief Executive's Report, we are mindful that there is slippage in some business plan areas arising due to current staffing difficulties. While at this stage resources are being focussed on statutory objectives, we recognise

that this has potential to lead to some underspend in Professional Standards. However, at this early stage of the financial year we have not adjusted our year-end expenditure forecasts.

Income and Expenditure Account (top-level summary)

10. The Income and Expenditure Account is set out below:

	Year to Date 1 April 2015 - 31 May 2015				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Income					
Registration fees	590,814	590,000	814	2,685,000	2,685,000
Other income	6,749	6,000	749	119,250	119,250
Total	597,563	596,000	1,563	2,804,250	2,804,250
Expenditure					
Employment costs	198,335	207,789	9,454	1,262,031	1,262,031
Education and professional standards	1,709	1,892	183	121,850	121,850
Communications, research and development	29,955	30,652	697	217,136	217,136
Registration administration	6,576	6,750	174	62,633	62,633
IT infrastructure	24,063	23,750	(313)	69,000	69,000
Fitness to practise, including legal	54,515	56,050	1,535	580,000	580,000
Governance	25,776	26,250	474	177,750	177,750
Administration and establishment	74,677	74,692	15	300,250	300,250
Total	415,606	427,825	12,219	2,790,650	2,790,650
Surplus	181,957	168,175	13,782	13,600	13,600

Income and Expenditure Account (detailed departmental summaries)

11. The individual departmental accounts are listed below with further narrative to support each business area.

Education and professional standards

	Year to Date 1 April 2015 - 31 May 2015			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Working groups	0	0	0	3,500	3,500
Quality assurance	0	0	0	68,000	68,000
Continuing fitness to practise framework	180	196	16	10,000	10,000
Student fitness to practise	1,529	1,500	(29)	10,000	10,000
Osteopathic pre-registration education	0	0	0	13,000	13,000
Health and disability guidance	0	0	0	15,000	15,000
Publications and subscriptions	0	196	196	2,350	2,350
Total	1,709	1,892	183	121,850	121,850

12. The two-month position reports expenditure of £1.7k has been incurred against a budget forecast of £1.9k. As mentioned in paragraph 8, staffing difficulties mean the potential for slippage in activity. Council can expect some movement to the full-year forecast as the financial year progresses.
13. Although two-month expenditure represents only 1.40% of the total budget, this should not be a concern for Council members as in this area expenditure tends to be back-loaded, i.e. spent in the latter part of the financial year.

Communications, research and development

	Year to Date 1 April 2015 - 31 May 2015			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Publication production	17,826	18,221	395	75,887	75,887
Engagement activities	10	0	(10)	56,746	56,746
Website	450	756	306	16,953	16,953
Public and international affairs	705	708	3	1,750	1,750
Publications and subscriptions	0	50	50	300	300

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<i>Research</i>					
NCOR infrastructure (net)	4,500	4,417	(83)	26,500	26,500
IJOM	6,464	6,500	37	39,000	39,000
Total	29,955	30,652	697	217,136	217,136

14. Expenditure of £30k is within budget by £700. Communication with the profession through publications (£17k) includes *the osteopath* magazine and e-bulletins and additionally the procurement of leaflets for sale and distribution.
15. The total cost of research activities is £11k, which is made up of the GOsC contribution to NCOR (£4.5k) and the cost of subscribing to the *International Journal of Osteopathic Medicine* (£6.5k).

Registration administration

	Year to Date 1 April 2015 - 31 May 2015			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Registration documentation	1,000	1,000	0	3,000	3,000
Registration assessments	5,576	5,750	174	59,633	59,633
Total	6,576	6,750	174	62,633	62,633

16. The two-month position for Registration administration is fractionally under budget. In the opening months the majority of expenditure has been on registration assessments (£5.5k), with the procurement of certificates and ID cards being recorded under registration documentation (£1k).

IT infrastructure

	Year to Date 1 April 2015 - 31 May 2015			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
IT infrastructure (Cloud)	10,226	10,000	(226)	40,650	40,650
CRM support	13,046	13,000	(46)	23,850	23,850
IT sundries/consultancy	791	750	(41)	4,500	4,500
Total	24,063	23,750	(313)	69,000	69,000

17. Expenditure of £24k is slightly over the budget forecast by £313; however, the variance is sufficiently small not to be a concern for Council members. The

expenditure incurred relates to spend on the IT cloud infrastructure (£10k) and CRM support and service contracts (£13k).

18. In the last financial year, Council will recall there was additional expenditure for IT support as we re-platformed our websites. This expenditure is not required in FY2015-16.

Fitness to practise, including legal

	Year to Date 1 April 2015 - 31 May 2015			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Other legal costs	0	0	0	12,500	12,500
Statutory committee costs					
- Investigating Committee	16,608	17,000	392	100,000	100,000
- Professional Conduct Committee	29,814	30,800	986	400,000	400,000
- Health Committee	3,880	4,000	120	57,500	57,500
Section 32 cases	0	0	0	5,000	5,000
Law library subscription	4,213	4,250	37	5,000	5,000
Total	54,515	56,050	1,535	580,000	580,000

19. Statutory committee costs represent 92% of the department expenditure and reflect the work of the Investigating Committee and the Professional Conduct Committee. Council members are fully aware that this area of business represents the most significant area of risk to the expenditure forecasts in terms of volatility.
20. When the budget was agreed by Council in February 2015, Council recognised the need for additional resources both in terms of staffing and also funds for the fitness to practise process. The budget, which had been modestly reduced in FY2014-15, was increased by £100k to its current £580k level.
21. Although there have been increased resources in this area, Council can take assurance the team continue to explore ways of streamlining activity to be as efficient and cost effective as possible. Since the new Head of Regulation joined the GOSc, plans have been affected to trial an online system of case bundles, which would reduce printing and postage costs while eliminating the risk that bundles are either lost in the post or in transit to Osteopathy House on the day of the meeting. Further, the team are exploring how the in-house database can be used to its fullest potential to streamline case management procedures. The initial changes to the database can be made in-house without the need to buy-in external support.

22. Looking ahead, we have held the following events in June, and have scheduled the following events for later in the year. The unknown factor is any interim suspension orders or additional days which may occur in year.

June 2015

- Three, one day PCC cases
- One, five day PCC case
- One, three day HC case
- Three, one day ISO's

July 2015

- On, Investigating Committee meeting
- Two, five day PCC cases
- One, one day ISO

August 2015

- Two, two day HC cases
- Two, one day PCC case
- One, two day PCC case
- One, five day PCC case

September 2015

- One Investigating Committee meeting
- Two, five day PCC cases

October 2015

- Three, five day PCC cases

November 2015

- One Investigating Committee meeting
- One, two day PCC case
- Two, five day PCC cases
- One PCC training day

December 2015

- One, five day PCC case

23. Based on our understand of unit costs per day for IC, HC and PCC hearings, along with the associated legal costs, we are forecasting that as we approach the end of quarter 3, we will have incurred expenditure of c.£400k. While there is some ability to find efficiency savings within individual cases and hearings, higher costs may be incurred depending on the complexity of individual cases.
24. At present, 15 cases have not yet reached the formal Investigating Committee stage. It is a prudent and reasonable expectation that many of these cases will be referred to a formal hearing. Council should note that some of these cases

may be heard in the latter part of FY2015-16 and the earlier part of financial year 2016-17.

Governance

	Year to Date 1 April 2015 - 31 May 2015			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Honorariums/responsibility allowances	19,101	19,500	399	117,000	117,000
Tax liability on council member expenses	0	0	0	7,750	7,750
Council costs including reappointments	3,236	3,250	14	22,500	22,500
Other committee costs	3,439	3,500	61	12,500	12,500
PSA levy	0	0	0	15,000	15,000
Internal operations, including training	0	0	0	3,000	3,000
Total	25,776	26,250	474	177,750	177,750

25. Honorarium and responsibility allowances of £19k represent 74% of the total expenditure for the opening two-months. Overall expenditure of £26k is in line with the budget forecast.

26. We are still awaiting confirmation of the level of the PSA Levy.

Administration and establishment

	Year to Date 1 April 2015 - 31 May 2015			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Premises	29,126	29,200	74	96,000	96,000
Office administration	28,536	28,367	(169)	85,500	85,500
Financial audit	0	0	0	21,000	21,000
Financing	3,382	3,500	118	16,00	16,000
Publications and subscriptions	300	292	(8)	1,750	1,750
Depreciation	13,333	13,333	0	80,000	80,000
Total	74,677	74,692	15	300,250	300,250

27. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£29k) – and office

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administration – insurance, postage, photocopying – (£29k). These areas represent 77% of the total expenditure at the three-month position.

28. Total expenditure in this area was £75k and is in line with the budget forecast.

Balance Sheet

29. The Balance Sheet for the two-months to 31 May 2015 shows total reserves of £2.562m. The Balance Sheet position remains healthy and demonstrates that the GOsC continues to be well placed to meet its future obligations and the challenges ahead.

30. Cash held in hand and at bank totals £885k as at 31 May 2015 of which £500k is being held in a bond with Secure Trust Bank generating a greater level of interest for the GOsC (2% AER) than retaining it in a current account.

31. The Balance Sheet as at 31 May 2015 is:

	31 March 2015		31 May 2015	
	£	£	£	£
Non-current assets				
Fixed assets	1,803,739		1,790,405	
Investments	500,000		500,000	
		2,303,739		2,290,405
Current assets				
Debtors	421,183		899,211	
Cash in hand and at bank	693,667		885,055	
	1,114,850		1,784,267	
Liabilities				
Creditors – within one year	(1,030,873)		(1,512,698)	
	(1,030,873)		(1,512,698)	
Net Current Assets		83,977		271,568
Total assets less total liabilities		2,387,716		2,561,973
Reserves				
General reserve		2,287,716		2,461,973
Designated funds - Governance arrangements		100,000		100,000
Total Reserves		2,387,716		2,561,973

Balance Sheet explanatory notes

Debtors

32. At the 31 May 2015, the total of Debtors had increased to £899k from the year-end position of £421k. The reason for this is because 'registration fee debtors' has spiked due to the large volume of the register that are due to renew their registration at this time of year.

Creditors

33. At the 31 May 2015, the total of Creditors has also increased to £1.513m from the year-end position of £1.031m. The reason for this is because of deferred income, which is the proportion of registration fees invoiced but not yet recognised in the accounts.